

106TH CONGRESS
2D SESSION

S. 2740

To provide for the establishment of Individual Development Accounts (IDAs) that will allow individuals and families with limited means an opportunity to accumulate assets, to access education, to own their own homes and businesses, and ultimately to achieve economic self-sufficiency, and to increase the limit on deductible IRA contributions, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JUNE 15, 2000

Ms. LANDRIEU introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To provide for the establishment of Individual Development Accounts (IDAs) that will allow individuals and families with limited means an opportunity to accumulate assets, to access education, to own their own homes and businesses, and ultimately to achieve economic self-sufficiency, and to increase the limit on deductible IRA contributions, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

2 (a) SHORT TITLE.—This Act may be cited as the
 3 “Savings Accounts Are Valuable for Everyone Act of
 4 2000”.

5 (b) TABLE OF CONTENTS.—The table of contents of
 6 this Act is as follows:

Sec. 1. Short title; table of contents.
 Sec. 2. Findings.
 Sec. 3. Purposes.
 Sec. 4. Definitions.

TITLE I—QUALIFIED INDIVIDUAL DEVELOPMENT ACCOUNTS FOR
 LOW-INCOME WORKERS

Sec. 101. Structure and administration of qualified individual development
 account programs.
 Sec. 102. Procedures for opening an Individual Development Account and
 qualifying for matching funds.
 Sec. 103. Contributions to Individual Development Accounts.
 Sec. 104. Deposits by qualified individual development account programs.
 Sec. 105. Withdrawal procedures.
 Sec. 106. Certification and termination of qualified individual development
 account programs.
 Sec. 107. Reporting, monitoring, and evaluation.
 Sec. 108. Funds in parallel accounts of program participants disregarded for
 purposes of certain means-tested Federal programs.

TITLE II—QUALIFIED INDIVIDUAL DEVELOPMENT ACCOUNT
 PROGRAM INVESTMENT CREDITS

Sec. 201. Qualified individual development account program investment credits.
 Sec. 202. CRA credit treatment for qualified individual development account
 program investments.
 Sec. 203. Designation of earned income tax credit payments for deposit to
 Individual Development Accounts.

TITLE III—MODIFICATION OF IRA CONTRIBUTION LIMIT

Sec. 301. Modification of limit on deductible IRA contributions.

7 **SEC. 2. FINDINGS.**

8 Congress makes the following findings:

9 (1) One-third of all Americans have no assets
 10 available for investment, and another 20 percent
 11 have only negligible assets. The household savings

1 rate of the United States lags far behind other in-
2 dustrial nations, presenting a barrier to national
3 economic growth and preventing many Americans
4 from entering the economic mainstream by buying a
5 house, obtaining an adequate education, or starting
6 a business.

7 (2) By building assets, Americans can improve
8 their economic independence and stability, stimulate
9 the development of human and other capital, and
10 work toward a viable and hopeful future for them-
11 selves and their children. Thus, economic well-being
12 does not come solely from income, spending, and
13 consumption, but also requires savings, investment,
14 and accumulation of assets.

15 (3) Traditional public assistance programs
16 based on income and consumption have rarely been
17 successful in promoting and supporting the transi-
18 tion to increased economic self-sufficiency. Income-
19 based social policies that meet consumption needs
20 (including food, child care, rent, clothing, and health
21 care) should be complemented by asset-based policies
22 that can provide the means to achieve long-term
23 independence and economic well-being.

24 (4) Individual Development Accounts (IDAs)
25 can provide working Americans with strong incen-

1 tives to build assets, basic financial management
2 training, and access to secure and relatively inexpen-
3 sive banking services.

4 (5) There is reason to believe that Individual
5 Development Accounts would also foster greater par-
6 ticipation in electric fund transfers (EFT), generate
7 financial returns, including increased income, tax
8 revenue, and decreased welfare cash assistance, that
9 will far exceed the cost of public investment in the
10 program.

11 **SEC. 3. PURPOSES.**

12 The purposes of this Act are to provide for the estab-
13 lishment of individual development account programs that
14 will—

15 (1) provide individuals and families with limited
16 means an opportunity to accumulate assets and to
17 enter the financial mainstream;

18 (2) promote education, homeownership, and the
19 development of small businesses;

20 (3) stabilize families and build communities;
21 and

22 (4) support continued United States economic
23 expansion.

24 **SEC. 4. DEFINITIONS.**

25 As used in this Act:

1 (1) ELIGIBLE INDIVIDUAL.—

2 (A) IN GENERAL.—The term “eligible indi-
3 vidual” means an individual who—

4 (i) has attained the age of 18 years;

5 (ii) is a citizen or legal resident of the
6 United States; and

7 (iii) is a member of a household the
8 gross income of which does not exceed 80
9 percent of the area median income (as
10 published by the Department of Housing
11 and Urban Affairs).

12 (B) HOUSEHOLD.—The term “household”
13 means all individuals who share use of a dwell-
14 ing unit as primary quarters for living and eat-
15 ing separate from other individuals.

16 (2) INDIVIDUAL DEVELOPMENT ACCOUNT.—

17 The term “Individual Development Account” means
18 a regular interest bearing savings account estab-
19 lished for an eligible individual as part of a qualified
20 individual development account program, but only if
21 the written governing instrument creating the ac-
22 count meets the following requirements:

23 (A) The sole owner of the account is the
24 eligible individual.

1 (B) No contribution will be accepted unless
2 it is in cash, by check, or by electronic fund
3 transfer.

4 (C) The holder of the account is a quali-
5 fied financial institution or a qualified nonprofit
6 organization.

7 (D) The assets of the account will not be
8 commingled with other property except in a
9 common trust fund or common investment
10 fund.

11 (E) Except as provided in section 105(b),
12 any amount in the account may be paid out
13 only for the purpose of paying the qualified ex-
14 penses of the eligible individual.

15 (3) PARALLEL ACCOUNT.—The term “parallel
16 account” means a separate, parallel individual or
17 pooled account for all matching funds and earnings
18 dedicated to an eligible individual as part of a quali-
19 fied individual account program, the sole owner of
20 which is a qualified financial institution or a quali-
21 fied nonprofit organization

22 (4) QUALIFIED FINANCIAL INSTITUTION.—

23 (A) IN GENERAL.—The term “qualified fi-
24 nancial institution” means any person author-

1 ized to be a trustee of any individual retirement
2 account under section 408(a)(2).

3 (B) RULE OF CONSTRUCTION.—Nothing in
4 this paragraph shall be construed as preventing
5 a person described in subparagraph (A) from
6 collaborating with 1 or more qualified nonprofit
7 organizations to carry out an individual devel-
8 opment account program established under sec-
9 tion 101.

10 (5) QUALIFIED NONPROFIT ORGANIZATION.—
11 The term “qualified nonprofit organization”
12 means—

13 (A) any organization described in section
14 501(c)(3) of the Internal Revenue Code of 1986
15 and exempt from taxation under section 501(a)
16 of such Code;

17 (B) any community development financial
18 institution as certified by the Community De-
19 velopment Financial Institution Fund; or

20 (C) any credit union certified by the Na-
21 tional Credit Union Administration,
22 that meets standards for financial management and
23 fiduciary responsibility as defined by the Secretary
24 or an organization designated by the Secretary.

1 (6) QUALIFIED INDIVIDUAL DEVELOPMENT AC-
 2 COUNT PROGRAM.—The term “qualified individual
 3 development account program” means a program es-
 4 tablished under section 101 under which—

5 (A) individual development accounts and
 6 parallel accounts are held by a qualified finan-
 7 cial institution or a qualified nonprofit organi-
 8 zation; and

9 (B) additional activities determined by the
 10 Secretary, or an organization designated by the
 11 Secretary, as necessary to responsibly develop
 12 and administer accounts, including recruiting,
 13 providing financial education and other training
 14 to account holders, and regular program moni-
 15 toring, are carried out by such institution or
 16 nonprofit organization.

17 (7) QUALIFIED EXPENSE DISTRIBUTION.—

18 (A) IN GENERAL.—The term “qualified ex-
 19 pense distribution” means any amount paid or
 20 distributed out of an Individual Development
 21 Account and a parallel account established for
 22 an eligible individual if such amount—

23 (i) is used exclusively to pay the quali-
 24 fied expenses of such individual or such in-
 25 dividual’s spouse or dependents,

(ii) is paid by the qualified financial institution or qualified nonprofit organization directly to the person to whom the amount is due or to another Individual Development Account, and

(iii) is paid after the holder of the Individual Development Account has completed a financial education course as required under section 102(b).

(B) QUALIFIED EXPENSES.—

(i) IN GENERAL.—The term “qualified expenses” means any of the following:

(I) Qualified higher education expenses.

(II) Qualified first-time homebuyer costs.

(III) Qualified business capitalization costs.

(IV) Qualified rollovers.

(ii) QUALIFIED HIGHER EDUCATION EXPENSES.—

(I) IN GENERAL.—The term “qualified higher education expenses” has the meaning given such term by section 72(t)(7) of the Internal Rev-

1 enue Code of 1986, determined by
2 treating postsecondary vocational edu-
3 cational schools as eligible educational
4 institutions.

5 (II) POSTSECONDARY VOCA-
6 TIONAL EDUCATION SCHOOL.—The
7 term “postsecondary vocational edu-
8 cational school” means an area voca-
9 tional education school (as defined in
10 subparagraph (C) or (D) of section
11 521(4) of the Carl D. Perkins Voca-
12 tional and Applied Technology Edu-
13 cation Act (20 U.S.C. 2471(4)))
14 which is in any State (as defined in
15 section 521(33) of such Act), as such
16 sections are in effect on the date of
17 enactment of this Act.

18 (III) COORDINATION WITH
19 OTHER BENEFITS.—The amount of
20 qualified higher education expenses
21 for any taxable year shall be reduced
22 as provided in section 25A(g)(2) of
23 such Code and by the amount of such
24 expenses for which a credit or exclu-

1 sion is allowed under chapter 1 of
2 such Code for such taxable year.

3 (iii) QUALIFIED FIRST-TIME HOME-
4 BUYER COSTS.—The term “qualified first-
5 time homebuyer costs” means qualified ac-
6 quisition costs (as defined in section
7 72(t)(8) of such Code without regard to
8 subparagraph (B) thereof) with respect to
9 a principal residence (within the meaning
10 of section 121 of such Code) for a qualified
11 first-time homebuyer (as defined in section
12 72(t)(8) of such Code).

13 (iv) QUALIFIED BUSINESS CAPITAL-
14 IZATION COSTS.—

15 (I) IN GENERAL.—The term
16 “qualified business capitalization
17 costs” means qualified expenditures
18 for the capitalization of a qualified
19 business pursuant to a qualified busi-
20 ness plan.

21 (II) QUALIFIED EXPENDI-
22 TURES.—The term “qualified expendi-
23 tures” means expenditures included in
24 a qualified business plan, including

1 capital, plant, equipment, working
2 capital and inventory expenses.

3 (III) QUALIFIED BUSINESS.—

4 The term “qualified business” means
5 any business that does not contravene
6 any law.

7 (IV) QUALIFIED BUSINESS

8 PLAN.—The term “qualified business
9 plan” means a business plan which
10 meets such requirements as the Sec-
11 retary or an organization designated
12 by the Secretary may specify.

13 (v) QUALIFIED ROLLOVERS.—The

14 term “qualified rollover” means, with re-
15 spect to any distribution from an Indi-
16 vidual Development Account, the payment,
17 within 120 days of such distribution, of all
18 or a portion of such distribution to such
19 account or to another Individual Develop-
20 ment Account established in another quali-
21 fied financial institution or qualified non-
22 profit organization for the benefit of the el-
23 igible individual. Rules similar to the rules
24 of section 408(d)(3) of such Code (other

1 than subparagraph (C) thereof) shall apply
2 for purposes of this clause.

3 (8) SECRETARY.—The term “Secretary” means
4 the Secretary of the Treasury.

5 **TITLE I—INDIVIDUAL DEVELOP-**
6 **MENT ACCOUNTS FOR LOW-**
7 **INCOME WORKERS**

8 **SEC. 101. STRUCTURE AND ADMINISTRATION OF QUALI-**
9 **FIED INDIVIDUAL DEVELOPMENT ACCOUNT**
10 **PROGRAMS.**

11 (a) ESTABLISHMENT OF QUALIFIED INDIVIDUAL DE-
12 VELOPMENT ACCOUNT PROGRAMS.—Any qualified finan-
13 cial institution or qualified nonprofit organization may es-
14 tablish 1 or more qualified individual development account
15 programs which meet the requirements of this Act.

16 (b) BASIC PROGRAM STRUCTURE.—

17 (1) IN GENERAL.—All qualified individual de-
18 velopment account programs shall consist of the fol-
19 lowing 2 components:

20 (A) An Individual Development Account to
21 which an eligible individual may contribute
22 money in accordance with section 103.

23 (B) A parallel account to which all match-
24 ing funds shall be deposited in accordance with
25 section 104.

1 (2) TAILORED IDA PROGRAMS.—A qualified fi-
2 nancial institution or qualified nonprofit organiza-
3 tion may tailor its qualified individual development
4 account program to allow matching funds to be
5 spent on 1 or more of the categories of qualified
6 expenses.

7 (c) ACCOUNT POPULATION DISTRIBUTION REQUIRE-
8 MENT.—An individual development account program shall
9 be treated as qualified under this Act only if not less than
10 one third of the Individual Development Accounts under
11 such program are owned by eligible individuals each of
12 whom is a member of a household the gross income of
13 which does not exceed 50 percent of the area median in-
14 come (as published by the Department of Housing and
15 Urban Affairs).

16 (d) TAX TREATMENT OF ACCOUNTS.—Any account
17 described in subparagraph (B) of subsection (b)(1) is ex-
18 empt from taxation under the Internal Revenue Code of
19 1986 unless such account has ceased to be such an ac-
20 count by reason of section 105(c) or the termination of
21 the qualified individual development account program
22 under section 106(b).

1 **SEC. 102. PROCEDURES FOR OPENING AN INDIVIDUAL**
2 **DEVELOPMENT ACCOUNT AND QUALIFYING**
3 **FOR MATCHING FUNDS.**

4 (a) OPENING AN ACCOUNT.—An eligible individual
5 must open an Individual Development Account with a
6 qualified financial institution or qualified nonprofit orga-
7 nization and contribute money in accordance with section
8 103 to qualify for matching funds in a parallel account.

9 (b) REQUIRED COMPLETION OF FINANCIAL EDU-
10 CATION COURSE.—

11 (1) IN GENERAL.—Before becoming eligible to
12 withdraw matching funds to pay for qualified ex-
13 penses, holders of Individual Development Accounts
14 must complete a financial education course offered
15 by a qualified financial institution, a qualified non-
16 profit organization, or a government entity.

17 (2) STANDARD AND APPLICABILITY OF
18 COURSE.—The Secretary or an organization des-
19 ignated by the Secretary, in consultation with rep-
20 resentatives of qualified individual development ac-
21 count programs and financial educators, shall estab-
22 lish minimum performance standards for financial
23 education courses offered under paragraph (1) and
24 a protocol to exempt eligible individuals from the re-
25 quirement under paragraph (1) because of hardship
26 or lack of need.

1 **SEC. 103. CONTRIBUTIONS TO INDIVIDUAL DEVELOPMENT**
2 **ACCOUNTS.**

3 (a) IN GENERAL.—Except in the case of a qualified
4 rollover, individual contributions to an Individual Develop-
5 ment Account will not be accepted for the taxable year
6 in excess of the lesser of—

7 (1) \$2,000; or

8 (2) an amount equal to the compensation (as
9 defined in section 219(f)(1) of the Internal Revenue
10 Code of 1986) includible in the individual's gross in-
11 come for such taxable year.

12 (b) PROOF OF COMPENSATION AND STATUS AS AN
13 ELIGIBLE INDIVIDUAL.—Federal W-2 forms and other
14 forms specified by the Secretary proving the eligible indi-
15 vidual's wages and other compensation and the status of
16 the individual as an eligible individual shall be presented
17 at the time of the establishment of the Individual Develop-
18 ment Account and at least once annually thereafter.

19 (c) TIME WHEN CONTRIBUTIONS DEEMED MADE.—
20 For purposes of this section, a taxpayer shall be deemed
21 to have made a contribution to an Individual Development
22 Account on the last day of the preceding taxable year if
23 the contribution is made on account of such taxable year
24 and is made not later than the time prescribed by law for
25 filing the Federal income tax return for such taxable year
26 (not including extensions thereof).

1 (d) CROSS REFERENCE.—

For designation of earned income tax credit payments for deposit to an Individual Development Account, see section 32(o) of the Internal Revenue Code of 1986.

2 **SEC. 104. DEPOSITS BY QUALIFIED INDIVIDUAL DEVELOP-**
 3 **MENT ACCOUNT PROGRAMS.**

4 (a) PARALLEL ACCOUNTS.—The qualified financial
 5 institution or qualified nonprofit organization shall deposit
 6 all matching funds for each Individual Development Ac-
 7 count into a parallel account at a qualified financial insti-
 8 tution or qualified nonprofit organization. The parallel ac-
 9 count or accounts shall earn not less than the market rate
 10 of interest.

11 (b) REGULAR DEPOSITS OF MATCHING FUNDS.—

12 (1) IN GENERAL.—Subject to paragraph (2),
 13 the qualified financial institution or qualified non-
 14 profit organization shall deposit not less than quar-
 15 terly into the parallel account with respect to each
 16 eligible individual the following:

17 (A) A dollar-for-dollar match for the first
 18 \$500 contributed by the eligible individual into
 19 an Individual Development Account with re-
 20 spect to any taxable year.

21 (B) Any matching funds provided by State,
 22 local, or private sources in accordance to the
 23 matching ratio set by those sources.

1 (2) CROSS REFERENCE.—

For allowance of tax credit to qualified financial institutions for Individual Development Account subsidies, including matching funds, see section 30B of the Internal Revenue Code of 1986.

2 (c) FORFEITURE OF MATCHING FUNDS.—Matching
3 funds that are forfeited under section 105(b) shall be used
4 by the qualified financial institution or qualified nonprofit
5 organization to pay matches for other Individual Develop-
6 ment Account contributions by eligible individuals.

7 (d) UNIFORM ACCOUNTING REGULATIONS.—The
8 Secretary shall prescribe regulations with respect to ac-
9 counting for matching funds from all possible sources in
10 the parallel accounts.

11 (e) REGULAR REPORTING OF ACCOUNTS.—Any
12 qualified financial institution or qualified nonprofit orga-
13 nization shall report the balances in any Individual Devel-
14 opment Account and parallel account of an eligible indi-
15 vidual on not less than a quarterly basis.

16 **SEC. 105. WITHDRAWAL PROCEDURES.**

17 (a) WITHDRAWALS FOR QUALIFIED EXPENSES.—To
18 withdraw money from an eligible individual's Individual
19 Development Account to pay qualified expenses of such
20 individual or such individual's spouse or dependents, the
21 qualified financial institution or qualified nonprofit orga-
22 nization shall directly transfer such funds from the Indi-
23 vidual Development Account, and, if applicable, from the

1 parallel account electronically to the vendor or other Indi-
2 vidual Development Account. If the vendor is not equipped
3 to receive funds electronically, the qualified financial insti-
4 tution or qualified nonprofit organization may issue such
5 funds by paper check to the vendor.

6 (b) WITHDRAWALS FOR NONQUALIFIED EX-
7 PENSES.—An Individual Development Account holder may
8 unilaterally withdraw funds from the Individual Develop-
9 ment Account for purposes other than to pay qualified ex-
10 penses, but shall forfeit the corresponding matching funds
11 and interest earned on the matching funds by doing so,
12 unless such withdrawn funds are recontributed to such Ac-
13 count within 1 year of withdrawal.

14 (c) DEEMED WITHDRAWALS FROM ACCOUNTS OF
15 NONELIGIBLE INDIVIDUALS.—If the individual for whose
16 benefit an Individual Development Account is established
17 ceases to be an eligible individual, such account shall cease
18 to be an Individual Development Account as of the first
19 day of the taxable year of such individual and any balance
20 in such account shall be deemed to have been withdrawn
21 on such first day by such individual for purposes other
22 than to pay qualified expenses.

23 (d) TAX TREATMENT OF MATCHING FUNDS.—Any
24 amount withdrawn from a parallel account shall not be
25 includible in an eligible individual's gross income.

1 **SEC. 106. CERTIFICATION AND TERMINATION OF QUALI-**
 2 **FIED INDIVIDUAL DEVELOPMENT ACCOUNT**
 3 **PROGRAMS.**

4 (a) CERTIFICATION PROCEDURES.—Upon estab-
 5 lishing a qualified individual development account pro-
 6 gram under section 101, a qualified financial institution
 7 or qualified nonprofit organization shall certify to the Sec-
 8 retary, or an organization designated by the Secretary, on
 9 forms prescribed by the Secretary or such organization
 10 and accompanied by any documentation required by the
 11 Secretary or such organization, that—

12 (1) the accounts described in subparagraphs
 13 (A) and (B) of section 101(b)(1) are operating pur-
 14 suant to all the provisions of this Act; and

15 (2) the qualified financial institution or quali-
 16 fied nonprofit organization agrees to implement an
 17 information system necessary to monitor the cost
 18 and outcomes of the qualified individual development
 19 account program.

20 (b) AUTHORITY TO TERMINATE QUALIFIED IDA
 21 PROGRAM.—If the Secretary, or an organization des-
 22 ignated by the Secretary, determines that a qualified fi-
 23 nancial institution or qualified nonprofit organization
 24 under this Act is not operating a qualified individual devel-
 25 opment account program in accordance with the require-
 26 ments of this Act (and has not implemented any corrective

1 recommendations directed by the Secretary or such orga-
 2 nization), the Secretary or such organization shall termi-
 3 nate such institution's or nonprofit organization's author-
 4 ity to conduct the program. If the Secretary, or an organi-
 5 zation designated by the Secretary, is unable to identify
 6 a qualified financial institution or qualified nonprofit orga-
 7 nization to assume the authority to conduct such program,
 8 then any account established for the benefit of any eligible
 9 individual under such program shall cease to be an Indi-
 10 vidual Development Account as of the first day of such
 11 termination and any balance in such account shall be
 12 deemed to have been withdrawn on such first day by such
 13 individual for purposes other than to pay qualified
 14 expenses.

15 **SEC. 107. REPORTING, MONITORING, AND EVALUATION.**

16 (a) RESPONSIBILITIES OF QUALIFIED FINANCIAL IN-
 17 STITUTIONS AND QUALIFIED NONPROFIT ORGANIZA-
 18 TIONS.—Each qualified financial institution or qualified
 19 nonprofit organization that establishes a qualified indi-
 20 vidual development account program under section 101
 21 shall report annually to the Secretary, directly or through
 22 an organization designated by the Secretary, within 90
 23 days after the end of each calendar year on—

24 (1) the number of eligible individuals making
 25 contributions into Individual Development Accounts;

1 (2) the amounts contributed into Individual De-
2 velopment Accounts and deposited into parallel ac-
3 counts for matching funds;

4 (3) the amounts withdrawn from Individual De-
5 velopment Accounts and parallel accounts, and the
6 purposes for which such amounts were withdrawn;

7 (4) the balances remaining in Individual Devel-
8 opment Accounts and parallel accounts; and

9 (5) such other information needed to help the
10 Secretary, or an organization designated by the Sec-
11 retary, monitor the cost and outcomes of the quali-
12 fied individual development account program.

13 (b) RESPONSIBILITIES OF THE SECRETARY OR DES-
14 IGNATED ORGANIZATION.—

15 (1) MONITORING PROTOCOL.—Not later than
16 12 months after the date of enactment of this Act,
17 the Secretary, or an organization designated by the
18 Secretary, shall develop and implement a protocol
19 and process to continually monitor the cost and out-
20 comes of the qualified individual development ac-
21 count programs established under section 101.

22 (2) ANNUAL REPORTS.—In each year after the
23 date of enactment of this Act, the Secretary, or an
24 organization designated by the Secretary, shall issue

1 a progress report on the status of such qualified in-
 2 dividual development account programs.

3 (3) APPROPRIATIONS FOR MONITORING.—There
 4 is authorized to be appropriated \$5,000,000 for the
 5 purposes of monitoring qualified individual develop-
 6 ment account programs established under section
 7 101, to remain available until expended.

8 **SEC. 108. FUNDS IN PARALLEL ACCOUNTS OF PROGRAM**
 9 **PARTICIPANTS DISREGARDED FOR PUR-**
 10 **POSES OF CERTAIN MEANS-TESTED FEDERAL**
 11 **PROGRAMS.**

12 Notwithstanding any provision of the Internal Rev-
 13 enue Code of 1986 or the Social Security Act that requires
 14 consideration of 1 or more financial circumstances of an
 15 individual, for the purposes of determining eligibility to
 16 receive, or the amount of, any assistance or benefit author-
 17 ized by such provision to be provided to or for the benefit
 18 of such individual, the lesser of—

19 (1) the sum of all contributions by an eligible
 20 individual (including earnings thereon) to any Indi-
 21 vidual Development Account and matching deposits
 22 made on behalf of such individual (including earn-
 23 ings thereon) in any parallel account; or

24 (2) \$10,000,

1 shall be disregarded for such purpose with respect to any
 2 period during which the individual participates in a quali-
 3 fied individual development account program established
 4 under section 101.

5 **TITLE II—QUALIFIED INDIVIDUAL DEVELOPMENT AC-**
 6 **COUNT PROGRAM INVEST-**
 7 **MENT CREDITS**

9 **SEC. 201. QUALIFIED INDIVIDUAL DEVELOPMENT**
 10 **ACCOUNT PROGRAM INVESTMENT CREDITS.**

11 (a) IN GENERAL.—Subpart B of part IV of sub-
 12 chapter A of chapter 1 of the Internal Revenue Code of
 13 1986 (relating to other credits) is amended by inserting
 14 after section 30A the following:

15 **“SEC. 30B. QUALIFIED INDIVIDUAL DEVELOPMENT**
 16 **ACCOUNT PROGRAM INVESTMENT CREDIT.**

17 “(a) DETERMINATION OF AMOUNT.—There shall be
 18 allowed as a credit against the applicable tax for the tax-
 19 able year an amount equal to the qualified individual de-
 20 velopment account program investment provided by an eli-
 21 gible taxpayer during the taxable year under a qualified
 22 individual development account program established under
 23 section 101 of the Savings Accounts Are Valuable for Ev-
 24 eryone Act of 2000.

1 “(b) APPLICABLE TAX.—For the purposes of this
 2 section, the term ‘applicable tax’ means the excess (if any)
 3 of—

4 “(1) the sum of—

5 “(A) the tax imposed under this chapter
 6 (other than the taxes imposed under the provi-
 7 sions described in subparagraphs (C) through
 8 (Q) of section 26(b)(1)), plus

9 “(B) the tax imposed under section 3111,
 10 over

11 “(2) the credits allowable under subparts B and
 12 D of this part.

13 “(c) QUALIFIED INDIVIDUAL DEVELOPMENT AC-
 14 COUNT PROGRAM INVESTMENT.—For purposes of this
 15 section, the term ‘qualified individual development account
 16 program investment’ means, with respect to a qualified in-
 17 dividual development account program of an eligible tax-
 18 payer in any taxable year, an amount equal to—

19 “(1) in the case of an eligible taxpayer which is
 20 a qualified financial institution, the sum of—

21 “(A) the lesser of—

22 “(i) 90 percent of the aggregate
 23 amount of dollar-for-dollar matches under
 24 such program by such taxpayer under sec-
 25 tion 104 of the Savings Accounts Are Val-

1 uable for Everyone Act of 2000 for such
2 taxable year, or

3 “(ii) \$90,000,000, plus

4 “(B) the lesser of—

5 “(i) 50 percent of the aggregate costs
6 paid or incurred under such program by
7 the eligible taxpayer during such taxable
8 year—

9 “(I) to provide financial edu-
10 cation courses to Individual Develop-
11 ment Account holders under section
12 102(b) of such Act, and

13 “(II) to underwrite program ac-
14 tivities described in section 4(6)(B) of
15 such Act), or

16 “(ii) \$5,000,000, and

17 “(2) in the case of an eligible taxpayer which is
18 not a qualified financial institution, the lesser of—

19 “(A) the sum of—

20 “(i) 50 percent of the aggregate
21 amount of such dollar-for-dollar matches
22 by such taxpayer for such taxable year,
23 plus

24 “(ii) 50 percent of the aggregate costs
25 described in paragraph (1)(B)(i) paid or

1 incurred under such program by the eligi-
 2 ble taxpayer during such taxable year, or
 3 “(B) \$5,000,000.

4 “(d) ELIGIBLE TAXPAYER.—For purposes of this
 5 section, a taxpayer shall be considered an eligible taxpayer
 6 if at least 70 percent of the expenditures by such taxpayer
 7 with respect to any qualified individual development ac-
 8 count program for any taxable year are described in sub-
 9 section (c)(1)(A).

10 “(e) OTHER DEFINITIONS AND SPECIAL RULES.—

11 “(1) OTHER DEFINITIONS.—For purposes of
 12 this section, the terms ‘Individual Development Ac-
 13 count’, ‘qualified individual development account
 14 program’, and ‘qualified financial institution’ have
 15 the meanings given such terms by section 4 of the
 16 Savings Accounts Are Valuable for Everyone Act of
 17 2000.

18 “(2) CERTAIN RULES MADE APPLICABLE.—
 19 Rules similar to the rules of paragraphs (1) and (2)
 20 of section 41(f) shall apply for purposes of this
 21 section.

22 “(f) REGULATIONS.—The Secretary may prescribe
 23 such regulations as may be necessary or appropriate to
 24 carry out this section, including regulations providing for
 25 a recapture of the credit allowed under this section in

1 cases where there is a forfeiture under section 105(b) of
 2 the Savings Accounts Are Valuable for Everyone Act of
 3 2000 in a subsequent taxable year of any amount which
 4 was taken into account in determining the amount of such
 5 credit.

6 “(g) TERMINATION.—This section shall not apply to
 7 any taxable year beginning after December 31, 2005.”.

8 (b) TRANSFER TO TRUST FUNDS.—The Secretary of
 9 the Treasury shall transfer from the general fund of the
 10 United States Treasury to the Federal Old-Age and Sur-
 11 vivors Insurance Trust Fund, the Federal Disability In-
 12 surance Trust Fund, and the Federal Hospital Insurance
 13 Trust Fund amounts equivalent to the amount of the re-
 14 duction in taxes imposed by section 3111 of the Internal
 15 Revenue Code of 1986 by reason of the credit determined
 16 under section 30B (relating to the qualified individual de-
 17 velopment account program investment credit). Any such
 18 transfer shall be made at the same time that the reduced
 19 taxes would have been deposited in such Trust Funds.

20 (c) CONFORMING AMENDMENT.—The table of sec-
 21 tions for subpart B of part IV of subchapter A of chapter
 22 1 of the Internal Revenue Code of 1986 is amended by
 23 inserting after the item relating to section 30A the
 24 following:

“Sec. 30B. Qualified individual development account program investment
 credit.”.

1 (d) EFFECTIVE DATE.—The amendments made by
 2 this section shall apply to taxable years beginning after
 3 December 31, 2000.

4 **SEC. 202. CRA CREDIT TREATMENT FOR QUALIFIED INDIVIDUAL DEVELOPMENT ACCOUNT PROGRAM INVESTMENTS.**

5
 6
 7 Qualified financial institutions which establish quali-
 8 fied individual development account programs under sec-
 9 tion 101 shall not receive credit for funding, administra-
 10 tion, and education expenses under any test contained in
 11 regulations for the Community Reinvestment Act of 1977
 12 for those activities and expenses related to such programs
 13 and taken into account for purposes of the tax credit al-
 14 lowed under section 30B of the Internal Revenue Code of
 15 1986.

16 **SEC. 203. DESIGNATION OF EARNED INCOME TAX CREDIT PAYMENTS FOR DEPOSIT TO INDIVIDUAL DEVELOPMENT ACCOUNTS.**

17
 18
 19 (a) IN GENERAL.—Section 32 of the Internal Rev-
 20 enue Code of 1986 (relating to earned income credit) is
 21 amended by adding at the end the following:

22 “(o) DESIGNATION OF CREDIT FOR DEPOSIT TO IN-
 23 DIVIDUAL DEVELOPMENT ACCOUNT.—

24 “(1) IN GENERAL.—With respect to the return
 25 of any eligible individual (as defined in section 4(1)

1 of the Savings Accounts Are Valuable for Everyone
 2 Act of 2000) for the taxable year of the tax imposed
 3 by this chapter, such individual may designate that
 4 a specified portion (not less than \$1) of any over-
 5 payment of tax for such taxable year which is attrib-
 6 utable to the credit allowed under this section shall
 7 be deposited by the Secretary into an Individual De-
 8 velopment Account (as defined in section 4(2) of
 9 such Act) of such individual. The Secretary shall so
 10 deposit such portion designated under this
 11 paragraph.

12 “(2) MANNER AND TIME OF DESIGNATION.—A
 13 designation under paragraph (1) may be made with
 14 respect to any taxable year—

15 “(A) at the time of filing the return of the
 16 tax imposed by this chapter for such taxable
 17 year, or

18 “(B) at any other time (after the time of
 19 filing the return of the tax imposed by this
 20 chapter for such taxable year) specified in regu-
 21 lations prescribed by the Secretary.

22 Such designation shall be made in such manner as
 23 the Secretary prescribes by regulations.

24 “(3) PORTION ATTRIBUTABLE TO EARNED IN-
 25 COME TAX CREDIT.—For purposes of paragraph (1),

1 an overpayment for any taxable year shall be treated
 2 as attributable to the credit allowed under this sec-
 3 tion for such taxable year to the extent that such
 4 overpayment does not exceed the credit so allowed.

5 “(4) OVERPAYMENTS TREATED AS RE-
 6 FUNDED.—For purposes of this title, any portion of
 7 an overpayment of tax designated under paragraph
 8 (1) shall be treated as being refunded to the tax-
 9 payer as of the last date prescribed for filing the re-
 10 turn of tax imposed by this chapter (determined
 11 without regard to extensions) or, if later, the date
 12 the return is filed.

13 “(5) TERMINATION.—This subsection shall not
 14 apply to any taxable year beginning after December
 15 31, 2005.”.

16 (b) EFFECTIVE DATE.—The amendment made by
 17 this section shall apply to taxable years beginning after
 18 December 31, 2000.

19 **TITLE III—MODIFICATION OF** 20 **IRA CONTRIBUTION LIMIT**

21 **SEC. 301. MODIFICATION OF LIMIT ON DEDUCTIBLE IRA** 22 **CONTRIBUTIONS.**

23 (a) INCREASE IN CONTRIBUTION LIMIT.—Paragraph
 24 (1)(A) of section 219(b) of the Internal Revenue Code of

1 1986 (relating to maximum amount of deduction) is
2 amended by striking “\$2,000” and inserting “\$3,500”.

3 (b) CONFORMING AMENDMENTS.—

4 (1) Section 408(a)(1) of the Internal Revenue
5 Code of 1986 is amended by striking “\$2,000” and
6 inserting “\$3,500”.

7 (2) Section 408(b)(2)(B) of such Code is
8 amended by striking “\$2,000” and inserting
9 “\$3,500”.

10 (3) Section 408(b) of such Code is amended by
11 striking “\$2,000” in the matter following paragraph
12 (4) and inserting “\$3,500”.

13 (4) Section 408(j) of such Code is amended by
14 striking “\$2,000” and inserting “\$3,500”.

15 (5) Section 408(p)(8) of such Code is amended
16 by striking “\$2,000” and inserting “\$3,500”.

17 (c) EFFECTIVE DATE.—The amendments made by
18 this section shall apply to taxable years beginning after
19 December 31, 2000.

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